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STATE OF MONTANA

DEPARTMENT OF INSTITUTIONS

MOUNTAIN VIEW SCHOOL

REPORT ON AUDIT

Conducted Under Contract By
Eigeman, Loucks and Glassley, CPA's

Fiscal Year Ended June 30, 1975

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DEPARTMENT OF INSTITUTIONS
MOUNTAIN VIEW SCHOOL
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STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Mountain
View School for the year ended June 30, 1975.

The audit was conducted by Eigeman, Loucks and Glassley, CPA's of
Great Falls, under a contract between the firm and our office. The
comments and recommendations contained in this report represent the
views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script, reading "Morris L. Bruset".

Morris L. Bruset, C.P.A.
Legislative Auditor

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments.

Listed below are the audit recommendations contained in this report and an indication as to whether or not the Department of Institutions concurred with the recommendations. In some instances it is not clear to us what the department's position is with regard to a particular recommendation. In those cases we interpreted the response as best we could to enable us to prepare this summary. The department's full reply is included in the back of the report.

Page

Cash

We recommend that a list of individual balances be prepared at year-end and that the proof sheets be kept for a period as long as other original documents.

9

Agency Reply: Concur. See page 22.

Separation of Duties

We recommend that procedures and duties be written in the form of an office manual. As well, we feel that the employee responsible for the bank account be relieved of bank reconciliation duties.

9

Agency Reply: Concur. See page 22.

Warrant Requests

We feel that internal control will be strengthened if the copies are not separated prior to authorization and recommend that this procedure be initiated.

9

Agency Reply: This has been done. See page 22.

Fixed Asset Control

Inventories should be observed at least on an annual basis. To facilitate this perpetual records should be maintained describing the individual items, the date of purchase, cost and location.

9

Agency Reply: Concur. See page 23.

SUMMARY OF RECOMMENDATIONS (Continued)

Page

Supply Inventories

We recommend that formal written instructions for control of supply inventories be established and that an employee of the business office be responsible for observing physical inventories. 9

Agency Reply: Concur. See page 23.

Payroll Distribution

We recommend that that employee be relieved of distributing checks and another employee be assigned that function. 10

Agency Reply: Concur, but staff limitations prevent full implementation. See page 23.

Clothing Inventories

We recommend that the institution discontinue maintaining clothing inventories. 10

Agency Reply: Concur. See page 24.

MOUNTAIN VIEW SCHOOL
JUNE 30, 1975

T A B L E O F C O N T E N T S

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EIGEMAN, LOUCKS & GLASSLEY

Certified Public Accountants

POST OFFICE BOX 2749 - GREAT FALLS, MONTANA 59403

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DOUGLAS F. EIGEMAN, CPA
BRIAN H. LOUCKS, CPA
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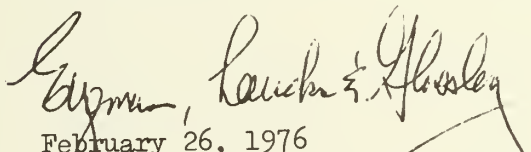
MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

The Montana State Legislative Audit Committee:

We have examined the balance sheet of funds of the Mountain View School as of June 30, 1975 and the related statements of appropriations and expenditures, revenue and income, changes in fund balances and expenditures by program for the year then ended. Our examination was made in accordance with generally accepted auditing standards and with the audit requirements set forth in the applicable guides issued for Revenue Sharing and Crime Commission grant recipients and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Control over fixed assets is not adequate to allow verifications required by generally accepted auditing standards.

In our opinion, except as noted in the preceding paragraph, the aforementioned financial statements present fairly the financial position of all funds of the Mountain View School at June 30, 1975 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles, applied on a consistent basis.


February 26, 1976

MOUNTAIN VIEW SCHOOL
ALL FUNDS
BALANCE SHEET
JUNE 30, 1975

EXHIBIT A

	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>	<u>Federal Revenue Sharing Fund</u>
<u>ASSETS</u>			
Cash in Treasury		27,388.38	
Revolving Fund Cash	500.00		
Encumbered Appropriations	<u>29,020.40</u>	_____	_____
	<u>29,520.40</u>	<u>27,388.38</u>	<u>-0-</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Accrued Support Expenditures	29,020.40	2,652.45	
Revolving Fund Advances	500.00		
Fund Balance	_____	<u>24,735.93</u>	_____
	<u>29,520.40</u>	<u>27,388.38</u>	<u>-0-</u>

MOUNTAIN VIEW SCHOOL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
ALL FUNDS, FOR THE YEAR ENDED JUNE 30, 1975

EXHIBIT B

	<u>Appropriations</u>	<u>Expenditures</u>	Excess Appropriations Over <u>Expenditures</u>
<u>General Fund</u>			
Administration			
Personal Services	25,096.00	24,664.53	431.47
Operating Expenses	11,676.00	11,765.90	(89.90)
Care and Custody			
Personal Services	151,044.00	145,427.03	5,616.97
Operating Expenses	35,974.00	35,686.04	287.96
Other		1,575.95	(1,575.95)
Education and Training			
Personal Services	94,433.00	93,143.31	1,289.69
Operating Expenses	9,738.00	8,859.13	878.87
Other	3,000.00	2,961.99	38.01
General Services & Physical Plant			
Personal Services	45,514.00	44,438.53	1,075.47
Operating Expenses	60,057.00	58,548.18	1,508.82
Other	3,000.00	3,939.14	(939.14)
Total General Fund	<u>439,532.00</u>	<u>431,009.73</u>	<u>8,522.27</u>
<u>Federal Revenue Sharing</u>			
Administration			
Personal Services	40,000.00	39,980.11	19.89
Care and Custody			
Personal Services	134,738.00	134,736.27	1.73
Education and Training			
Personal Services	10,042.00	10,039.60	2.40
General Services & Physical Plant			
Personal Services	78,618.00	78,616.70	1.30
Total Federal Revenue Sharing	<u>263,398.00</u>	<u>263,372.68</u>	<u>25.32</u>
<u>Federal and Private Revenue</u>			
Care and Custody			
Personal Services	23,695.00	23,291.72	403.28
Operating Expenses	1,061.00	610.68	450.32
Education and Training			
Personal Services	8,690.00	8,694.89	(4.89)
Operating Expenses	100.00	92.96	7.04
General Services & Physical Plant			
Other	550.00	399.73	150.27
Transportation			
Personal Services	1,210.00	1,195.92	14.08
Subtotal, Forward	<u>35,306.00</u>	<u>34,285.90</u>	<u>1,020.10</u>

MOUNTAIN VIEW SCHOOL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
ALL FUNDS, FOR THE YEAR ENDED JUNE 30, 1975

EXHIBIT B

	<u>Appropriations</u>	<u>Expenditures</u>	Excess Appropriations Over <u>Expenditures</u>
<u>Federal and Private Revenue (Continued)</u>			
Subtotal, Forward	35,306.00	34,285.90	1,020.10
Title I			
Personal Services	25,751.00	25,442.41	308.59
Operating Expenses	602.00	571.95	30.05
Crime Control			
Other	579.00	578.70	.30
Information Brochures			
Operating Expenses	<u>2,409.00</u>	<u>2,409.00</u>	<u> </u>
Total Federal and Private			
Revenue	<u>64,647.00</u>	<u>63,287.96</u>	<u>1,359.04</u>
	<u>767,577.00</u>	<u>757,670.37</u>	<u>9,906.63</u>

MOUNTAIN VIEW SCHOOL
STATEMENT OF REVENUE AND INCOME
ALL FUNDS, FOR THE YEAR ENDED JUNE 30, 1975

EXHIBIT C

	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>
Rental Housing	330.00	
Title I		26,595.12
Crime Commission		34,730.52
Vocational Education		9,615.67
Title II	<u> </u>	<u>3,808.24</u>
	<u>330.00</u>	<u>74,749.55</u>

MOUNTAIN VIEW SCHOOL
STATEMENT OF CHANGES IN FUND BALANCES
ALL FUNDS, FOR THE YEAR ENDED JUNE 30, 1975

EXHIBIT D

	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>	<u>Federal Revenue Sharing Fund</u>
Balance, July 1, 1974	<u>-0-</u>	<u>14,486.23</u>	<u>-0-</u>
Additions:			
Appropriations - Exhibit B	439,532.00		263,398.00
Revenue and Income - Exhibit C	<u>330.00</u>	<u>74,749.55</u>	
Subtotal - Additions	<u>439,862.00</u>	<u>74,749.55</u>	<u>263,398.00</u>
Deductions:			
Expenditures - Exhibit B	431,009.73	63,287.96	263,372.68
Revenue Deposited to State General Fund	<u>330.00</u>		
Reversions	8,522.27		25.32
Prior Year Expenditure Adjustments		<u>1,211.89</u>	
Subtotal - Deductions	<u>439,862.00</u>	<u>64,499.85</u>	<u>263,398.00</u>
Balance, June 30, 1975	<u><u>-0-</u></u>	<u><u>24,735.93</u></u>	<u><u>-0-</u></u>

MOUNTAIN VIEW SCHOOL
STATEMENT OF EXPENDITURES BY PROGRAM
ALL FUNDS, FOR THE YEAR ENDED JUNE 30, 1975

EXHIBIT E

	<u>Administration</u>	<u>Care and Custody</u>	<u>Clinical Service</u>
<u>Personal Services</u>			
Salaries	53,979.47	238,588.07	10,471.74
Salaries - Retroactive	2,802.09	15,443.42	372.22
Employees Benefits	<u>7,863.08</u>	<u>38,129.42</u>	<u>1,735.41</u>
Total Personal Services	<u>64,644.64</u>	<u>292,160.91</u>	<u>12,579.37</u>
<u>Operating Expenses</u>			
Contracted Services	2,991.80	10,089.32	9,152.97
Supplies and Materials	1,109.84	9,450.40	2,451.79
Communications	8,057.29	2.72	
Travel	89.23	4,497.61	
Rent	1,022.00		
Utilities			
Repairs and Maintenance	458.74		
Other	<u>446.00</u>	<u>1,141.27</u>	
Total Operating Expense	<u>14,174.90</u>	<u>25,181.32</u>	<u>11,604.76</u>
<u>Equipment</u>			
Educational and Recreation			
Household		1,575.95	
Shop			
Total Equipment		<u>1,575.95</u>	
<u>Capital Outlay</u>			
General			
	<u>78,819.54</u>	<u>318,918.18</u>	<u>24,184.13</u>

<u>Education and Training</u>	<u>General Services and Physical Plant</u>	<u>Kitchen</u>	<u>Total</u>
116,091.22	63,395.29	36,920.34	519,446.13
5,584.25	3,636.99	1,993.74	29,832.71
<u>15,673.54</u>	<u>11,020.02</u>	<u>6,088.85</u>	<u>80,510.32</u>
<u>137,349.01</u>	<u>78,052.30</u>	<u>45,002.93</u>	<u>629,789.16</u>
190.86	1,767.80	20.00	24,212.75
6,606.63	9,127.35	20,293.35	49,039.36
19.17	50.00		8,129.18
276.47	141.29		5,004.60
72.00	165.53	43.00	1,302.53
	17,433.02		17,433.02
1,287.83	9,232.34		10,978.91
<u>1,042.28</u>	<u>274.50</u>		<u>2,904.05</u>
<u>9,495.24</u>	<u>38,191.83</u>	<u>20,356.35</u>	<u>119,004.40</u>
2,961.99			2,961.99
	1,698.09		3,274.04
	<u>2,414.78</u>		<u>2,414.78</u>
<u>2,961.99</u>	<u>4,112.87</u>		<u>8,650.81</u>
	226.00		226.00
<u>149,806.24</u>	<u>120,583.00</u>	<u>65,359.28</u>	<u>757,670.37</u>

MOUNTAIN VIEW SCHOOL
COMMENTS AND RECOMMENDATIONS
JUNE 30, 1975

General The Mountain View School north of Helena is administered within the Department of Institutions. The primary function of the institution is the care, education, training, treatment and rehabilitation of girls under twenty-one years of age who are committed to the school by a court as provided by law. Present facilities can care for 96 girls. On June 30, 1975, 75 girls were being cared for by a staff of 61 employees.

Cash When a girl enters the institution her money is turned over to the business office. The money is placed in a bank account and each month the accounts are totaled and the bank account reconciled. The proof sheets of the individual account balances are kept for a period of three months. We recommend that a list of individual balances be prepared at year end and that the proof sheets be kept for a period as long as other original documents. At June 30, 1975, the balance of funds being held was:

Cash on Hand	418.35
Cash in Bank	7,108.46
Certificates of Deposit	2,500.00
	<u>10,026.81</u>

Separation of Duties With only three people performing the book-keeping and accounting functions of the institution it is difficult for the duties to be separated for maximum internal control. We recommend that procedures and duties be written in the form of an office manual. As well, we feel that the employee responsible for the bank account be relieved of bank reconciliation duties.

Warrant Requests Copies of warrant requests are separated before the claim is authorized by signature. We feel that internal control will be strengthened if the copies are not separated prior to authorization and recommend that this procedure be initiated.

Fixed Asset Control Physical inventories of fixed assets are not being taken. Inventories should be observed at least on an annual basis. To facilitate this perpetual records should be maintained describing the individual items, the date of purchase, cost and location.

Supply Inventories One employee is responsible for supply inventories. Supplies are recorded on a perpetual inventory card and a physical inventory is taken quarterly with discrepancies being explained. We recommend that formal written instructions for control of supply inventories be established and that an employee of the business office be responsible for observing physical inventories.

MOUNTAIN VIEW SCHOOL
COMMENTS AND RECOMMENDATIONS
JUNE 30, 1975

Payroll Distribution The employee responsible for the payroll also distributes payroll checks. We recommend that that employee be relieved of distributing checks and another employee be assigned that function.

Clothing Inventories We recommend that the institution discontinue maintaining clothing inventories. We feel that most of the clothing inventory is either of odd sizes or not acceptable to the girls. If a procedure to buy clothing at a local store could be established the clothing inventory could be discontinued resulting in a more efficient procedure for clothing the girls.

AGENCY RESPONSE

State of Montana

Department of Institutions



BOARD MEMBERS

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DIRECTOR
ROBERT H. MATTSON

Helena, 59601

January 13, 1976

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MONTANA LEGISLATIVE AUDITOR

Legislative Audit Committee
of the Montana State Legislature
Office of the Legislative Auditor
State Capitol
Helena, Montana 59601

Gentlemen:

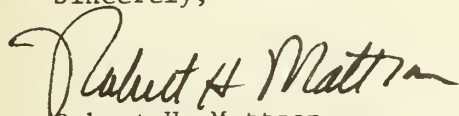
We have reviewed the audit report prepared by Eigeman, Loucks, and Glassley on Mountain View School for Girls.

The audit report contains useful suggestions and reassures the Department of Institutions that effective management exists at Mountain View School.

The auditor's report analyzes expenditures by expenditure identification and therefore reflects overexpenditure in some categories. Reconciliation of expenditures indicates conformity with total appropriations. Compliance with total appropriations and with total SBAS Management regulations is reflected in the agency response.

Our response to the recommendations is attached.

Sincerely,


Robert H. Mattson
Director

RHM/jn

Enclosure

MOUNTAIN VIEW
INDEX TO AGENCY REPLY

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Auditor's Report

The institution feels there is adequate control over fixed assets. Records are available to verify all such assets at the institution. Periodic inventories have been taken, though not annually, and perpetual records have been maintained. Thereby the institution and the Department have prepared a Statement of General Fixed Assets which is enclosed on the following page.

Due to the limited time available, a Statement of Changes in General Fixed Assets and a Schedule of General Fixed Assets - by Function (or location) is not presented but could be compiled.

MOUNTAIN VIEW SCHOOL
STATEMENT OF GENERAL FIXED ASSETS
JUNE 30, 1975

General Fixed Assets¹

Land ²	\$ 29,049.00
Buildings ²	902,884.00
Equipment and Furniture	107,373.00
Vehicles	<u>19,840.00</u>
Total General Fixed Assets	<u><u>\$1,059,146.00</u></u>

Investments in General
Fixed Assets from:

State Funds ³	\$ 931,933.00
General Fund Revenues	88,004.00
Federal Funds	30,537.00
Donations	<u>8,672.00</u>
Total Investment in General Fixed Assets	<u><u>\$1,059,146.00</u></u>

- 1) In the existent time frame, identification of costs for improvements other than buildings has not been possible since inventory records have not been maintained for these items. Their cost is reflected as Furniture and Equipment or Buildings as the records are now maintained. Separate categories will henceforth be identified.
- 2) These figures were verified by the appropriate state agencies.
- 3) Prior lack of recordkeeping as to source makes it impossible to separate these items as to specific source. The time required to rebuild such costs from original documents would be extremely prohibitive. The Department and the institution feel that most of these fixed assets were acquired with State monies. It would be possible to separate long-range building funds from general funds if time permitted.

Comment on All Funds Balance Sheet - Page 2

The Balance Sheet presented in the audit is reconstructed here to reconcile to the SBAS General Ledger at June 30, 1975 and to include the Agency Fund which is not recorded on SBAS, but for which detailed records are maintained by the institution.

MOUNTAIN VIEW SCHOOL
ALL FUNDS
BALANCE SHEET
JUNE 30, 1975

Reconstruction
Exhibit A

<u>Assets</u>	<u>General Fund</u>	<u>Federal and Private Revenue Fund</u>	<u>Federal Revenue Sharing</u>	<u>Agency Fundl</u>
Cash in Treasury		\$27,388.38		
Revolving Fund Cash	\$ 500.00			
Cash in Bank				\$ 7,108.46
Cash on Hand				418.35
Certificates of Deposit				2,500.00
Resources Available for Fiscal Year 1975 Expenditures	37,542.67		\$ 25.32	
	<u>\$38,042.67</u>	<u>\$27,388.38</u>	<u>\$ 25.32</u>	<u>\$10,026.81</u>
<u>Liabilities and Fund Balance</u>				
Accrued Support Expenditures	\$29,020.40 ²	\$ 2,652.45		
Due to Residents - Active				\$ 9,004.00
Due to Residents - Inactive				15.63
Funds held for Benefit of Residents				1,007.18
Reserve for Revolving Fund Fund Balance	500.00 <u>8,522.27³</u> <u>\$38,042.67</u>	24,735.93 ⁴ <u>\$27,388.38</u>	25.32 ³ <u>\$ 25.32</u>	-0- <u>\$10,026.81</u>

1) See Notes to Financial Statements, #3.

2) Does not include \$37.50 recorded after June 30, 1975

3) Represents funds available for fiscal year 1975 expenditures. Balance will revert to the state on June 30, 1975.

4) This amount includes \$1,359.04 available for fiscal year 1975 expenditures. Any balance from that amount will require new authority for expenditure after June 30, 1976.

The auditor has broken the appropriations down according to expenditure identification thus showing expenditures in excess of appropriations in four areas. The breakdown of appropriations by expenditure I.D. on SBAS is purely a management tool to monitor program budgets of operations. State law gives authority to spend by program and appropriations. In no case are expenditures allowed to exceed appropriations and in fact they do not.

We feel Exhibit B is misleading, thereby we have reconstructed that exhibit to correspond with authorizations as per State law. That reconstruction follows on the next page.

MOUNTAIN VIEW SCHOOL
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
ALL FUNDS, FOR THE YEAR ENDED JUNE 30, 1975¹

	<u>Authorized</u>	<u>Expenditures</u>	Excess Appropriations over <u>Expenditures</u>
<u>General Fund</u>			
Administration	\$ 36,772.00	\$ 36,430.43	\$ 341.57
Care and Custody	187,018.00	182,689.02 ²	4,328.98
Education and Training	107,171.00	104,964.43	2,206.57
General Services and Physical Plant	<u>108,571.00</u>	<u>106,925.85</u>	<u>1,645.15</u>
Total General Fund	<u>\$439,532.00</u>	<u>\$431,009.73</u>	<u>\$8,522.27</u>
<u>Federal Revenue Sharing</u>			
Administration	\$ 40,000.00	\$ 39,980.11	\$ 19.89
Care and Custody	134,738.00	134,736.27	1.73
Education and Training	10,042.00	10,039.60	2.40
General Services and Physical Plant	<u>78,618.00</u>	<u>78,616.70</u>	<u>1.30</u>
Total Federal Revenue Sharing	<u>\$263,398.00</u>	<u>\$263,372.68</u>	<u>\$ 25.32</u>
<u>Federal and Private Revenue</u>			
Care and Custody	\$ 24,756.00	\$ 23,902.40	\$ 853.60
Education and Training	8,790.00	8,787.85	2.15
General Services and Physical Plant	550.00	399.73	150.27
Transportation	1,210.00	1,195.92	14.08
Title I	26,353.00	26,014.36	338.64
Crime Control	579.00	578.70	.30
Information Brochures	<u>2,409.00</u>	<u>2,409.00</u>	
Total Federal and Private Revenue	<u>\$ 64,647.00</u>	<u>\$ 63,287.96</u>	<u>\$1,359.04</u>
Total	<u>\$767,577.00</u>	<u>\$757,670.37</u>	<u>\$9,906.63</u>

- 1) The cut-off date is June 30, 1975. No subsequent accruals were included.
- 2) The only subsequent adjustment in this institution is \$37.50 in Care and Custody General Fund. That amount is not included in this statement.

Comments on Statement of Changes in Fund Balances - Page 6

Due to limited time, this statement was not reconstructed. However, the only change required for its correction would be to eliminate the amounts shown as reversions in the general and the federal revenue sharing funds which would be shown as fund balances at June 30, 1975 for those two funds.

Notes to Financial Statements

June 30, 1975

To provide information of general interest to the reader and to comply with generally accepted accounting principles, the following notes to the financial statements are submitted.

(1) Summary of Significant Accounting Policies

The financial statements reflect the financial position and operations of Mountain View School. The financial transactions for the school are recorded in different types of funds of the State of Montana. Mountain View School is a discrete entity and financial data pertaining to the school have been combined into a set of financial statements in order to provide an understanding of the school's operations.

The different funds included in the financial statements and their purpose are:

General Fund - To account for all Mountain View School revenues and expenditures not included in any of the other funds.

Federal and Private Revenue Fund - To account for governmental grants received and account for the expenditures against the grants.

Federal Revenue Sharing Fund - To account for the federal revenue sharing monies received from the state as a secondary recipient and account for the expenditures against such funds.

Agency Fund - To primarily reflect cash held for residents committed to Mountain View School and reflect the corresponding liability.

The following is a summary of the more significant accounting policies at Mountain View School:

Fund Accounting

The accounts of the school are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance, revenues and expenditures.

Basis of Accounting

The modified accrual basis of accounting, under which expenditures are recorded when the liability is incurred and revenues are recorded when received in cash unless susceptible to accrual, i.e. measurable and available to finance the school's operations, or of a material amount and not received at the normal-time of receipt, is followed for all funds.

Notes to Financial Statements, Continued

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in all funds. The balance in the reserve for encumbrances account at June 30, 1975 is included in accrued support expenditures.

Appropriations

Appropriations in the general fund and federal revenue sharing fund are made by the legislature for operating purposes of Mountain View School. Expenditures against these appropriations are funded by the corresponding funds at the state level. Unexpended or unencumbered balances in these appropriations revert to the respective state funds.

Supply Inventories

Supply inventories are expensed at the time of purchase.

General Fixed Assets

The school has maintained a record of its general fixed assets. Assets purchased are recorded as expenditures in the various funds in the year of purchase or encumbrance.

Depreciation is not provided on general fixed assets.

Vacation Pay and Sick Pay

The value of unused vacation and unused sick leave accumulated by employees is not recorded as a liability. Each permanent employee can accumulate and carry over a maximum of two years vacation into a new calendar year. Unused accumulated vacation is redeemed in cash upon termination of employment.

(2) Retirement Plans

The State of Montana has two contributory retirement plans. Instructional employees are eligible for the Teachers Retirement System and other employees are eligible for the Public Employees Retirement System. The unfunded past service costs and the actuarially computed value of vested benefits is not readily available for members of the plans employed at Mountain View School.

(3) Accounts not on Statewide Budgeting and Accounting System

The cash in the agency fund represents primarily cash held in trust for the residents committed to Mountain View School. This cash and the corresponding liability are not recorded in the statewide budgeting and accounting system, but the fund records are kept by the agency and the fund's financial condition is reflected in the financial statements for reporting purposes.

CASH

Comments: The Legislative Auditor has requested an opinion from the Attorney General as to the proper depository for institutional residents' monies. There is a question whether their monies meet the definition of State funds (Sec. 82A-204, R.C.M. 1947) or public funds (1972 Constitution, Article VIII, Section 13) and therefore whether they may be deposited in a State Treasury account. When the Department receives the Attorney General's opinion on non-treasury accounts, a procedure for handling the monies of institution residents will be formulated. The Board of Investments has advised the Department that they are not authorized to invest individual resident funds.

Recommendation - Page 9

We recommend that a list of individual balances be prepared at year end and that the proof sheets be kept for a period as long as other original documents.

A list of individual resident account balances will be prepared at the end of each year. Proof sheets will be kept as long as other original documents. This procedure will be effective immediately. Further, a statement of account will be submitted to each resident with a currently active account on a quarterly basis.

SEPARATION OF DUTIES

Recommendation - Page 9

We recommend that procedures and duties be written in the form of an office manual. As well, we feel that the employee responsible for the bank account be relieved of bank reconciliation duties.

The business manager has been assigned the responsibility of writing an office manual. The manual is expected to be completed by February 1, 1976.

Proper separation of duties will be implemented by the institution in coordination with the Department, considering compliance with MAM and the limited staff available.

WARRANT REQUESTS

Recommendation - Page 9

We feel that internal control will be strengthened if the copies are not separated prior to authorization and recommend that this procedure be initiated.

The auditors' recommendation has been in effect since July 1, 1975. This was discussed with the auditor who was in agreement with the current procedures.

FIXED ASSET CONTROL

Recommendation - Page 9

Inventories should be observed at least on an annual basis. To facilitate this perpetual records should be maintained describing the individual items, the date of purchase, cost and location.

Perpetual records of fixed asset inventories have been maintained for several years. A physical inventory was completed in October, 1975. An annual inventory will continue to be observed.

SUPPLY INVENTORIES

Comment: The Department would like to note that in view of the lack of recent State guidance in this area and the limited staff at this institution, the institution seems to be doing a very thorough job of controlling supply inventories.

Recommendation - Page 9

We recommend that formal written instructions for control of supply inventories be established and that an employee of the business office be responsible for observing physical inventories.

The business manager and warehouseman will be assigned to write the recommended instructions for control of supply inventories. The business office accounting technician will be assigned responsibility for observing physical inventories.

PAYROLL DISTRIBUTION

Recommendation - Page 10

We recommend that that employee be relieved of distributing checks and another employee be assigned that function.

The separation of payroll preparation and warrant distribution would pose a problem due to limited staff. However, the institution will implement a procedure of assigning the business manager to pick up warrants and distribute them on an unscheduled test basis.

CLOTHING INVENTORIES

Recommendation - Page 10

We recommend that the institution discontinue maintaining clothing inventories.

In response to the joint subcommittee of institution appropriations of the 44th Legislative Session, the Superintendent of Mountain View School has requested a revision of the State's clothing purchasing policy. The joint subcommittee recommended that the school cease purchasing clothing in quantity to avert waste as styles become outdated and also to promote self-esteem and respect by allowing individualized purchasing.

The Department has contacted the Department of Administration who has taken the matter under advisement.

